

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PRS-01 PA-02 AGR-10 FEAE-00

INT-05 /125 W

----- 126677

R 131743Z JUL 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0393

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 11824

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JULY 13)

REF.: BONN 10590

1. GERMAN BANKS ON U.S. INTERNATIONAL BANKING BILL:
IN A PRESS RELEASE THE BUNDESVERBAND DEUTSCHER BANKEN
(THE FEDERAL ASSOCIATION OF GERMAN COMMERCIAL AND
PRIVATE BANKS) HAS STATED THAT THE INTRODUCTION OF THE
INTERNATIONAL BANKING BILL IN THE U.S., "ENDANGERS THE
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FUNCTIONING OF INTERNATIONAL MONEY AND CAPITAL MARKETS UNQUOTE.

THE ASSOCIATION CONSIDERS THE LEGISLATION TO BE QUOTE STRONGLY PROTECTIONISTIC" AND BELIEVES, IF RATIFIED, THE BILL WOULD GREATLY RESTRICT BUSINESS ACTIVITIES OF FOREIGN BANKS IN THE U.S. IN THE ASSOCIATION'S VIEW THE BILL VIOLATES THE PRINCIPLE OF RECIPROCITY. COUNTERMEASURES IN EUROPE, STATES THE ASSOCIATION, MAY BE UNAVOIDABLE. SHOULD THIS OCCUR, THE BILL WOULD HAVE A NEGATIVE EFFECT ON INTERNATIONAL BUSINESS RELATIONS. (ADDITIONAL DETAILS TO BE REPORTED UPON RECEIPT OF THE FULL TEXT OF THE RELEASE.)

2. SCHILLER: FORMER ECONOMICS AND FINANCE MINISTER SCHILLER IN A SPEECH THIS WEEK AT THE FRIEDRICH EBERT STIFTUNG (CLOSE TO SPD) ENDORSED THE ECONOMIC POLICY OF THE PRESENT GOVERNMENT. SCHILLER THUS TOOK A STEP TOWARD MAKING HIS PEACE WITH THE PRESENT GOVERNMENT. AFTER HIS REGINATION FROM THE CABINET HE ALSO HAD RESIGNED HIS SPD PARTY MEMBERSHIP AND IN THE LAST FEDERAL ELECTION CAMPAIGN TEAMED UP WITH FORMER CHANCELLOR ERHARD IN SEVERLY CRITICIZING THE ECONOMIC POLICY OF THE SPD/FDP GOVERNMENT.

3. NOMINATION OF NEW PRESIDENT FOR BAVARIAN LANDESZENTRALBANK: THE BAVARIAN STATE GOVERNMENT HAS NOMINATED KURT STADLER, A HIGH-RANKING TAX AND BUDGET EXPERT OF THE BAVARIAN FINANCE MINISTRY AS SUCCESSOR TO THE CURRENT PRESIDENT OF THE BAVARIAN LANDESZENTRALBANK, WAGENHOEFER. THE NOMINATION WAS MADE AGAINST THE WISHES OF BUNDESBANK PRESIDENT KLASSEN.

THE APPROVAL OF THE BUNDESRAT IS NONETHELESS EXPECTED. THE FINANCE COMMITTEE OF THE BUNDESRAT DID APPROVE THE APPOINTMENT OF MRS. JULIA DINGWORT-NUSSECK AS PRESIDENT OF THE LANDESZENTRALBANK OF LOWER SAXONY OVER THE OBJECTIONS OF THE CENTRAL BANK COUNCIL OF THE BUNDESBANK (SEE BONN 10590).

4. FOREIGN EXCHANGE MARKET: RELATIVE CALM CHARACTERIZED GERMAN FOREIGN EXCHANGE MARKETS DURING THE PAST WEEK. WITH LOW TURNOVER, THE DOLLAR FLUCTUATED ONLY IN VERY UNCLASSIFIED

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NARROW MARGINS AGAINST THE DEUTSCHEMARK. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

	FORWARD DOLLARS				
	SPOT DOLLARS (IN PCT. PER ANNUM)				
	FIXING	OPENING	CLOSING	ONE-MONTH	THREE-MO.
JULY 5	2.5764	2.5785	2.5770	-1.9	-1.9

6	2.5772	2.5762	2.5790	-1.7	-1.9
7	2.5795	2.5790	2.5800	-1.4	-1.7
8	2.5788	2.5790	2.5775	-1.6	-1.7
9	2.5779	2.5780	2.5775	-1.9	-1.6
12	2.5782	2.5780	2.5800	-1.7	-1.6

5. MONEY MARKET: GERMAN CALL MONEY AGAIN WAS QUOTED IN A RANGE OF 4.2-4.5 PERCENT DURING THE WEEK UNDER REVIEW, THUS EXCEEDING THE REDISCOUNT RATE (3 1/2 PERCENT) BY A SIZEABLE MARGIN. FACTORS CONTRIBUTING TO TIGHT MONEY CONDITIONS APPEAR TO BE THE SEASONALLY HIGH VOLUME OF CURRENCY IN CIRCULATION, DUE TO THE ONSET OF

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THE VACATION SEASON, AND FURTHER BORROWINGS BY PUBLIC AUTHORITIES.(SEE PARAGRAPH 6). DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH THREE-MONTH

JUNE 5	4.2-4.4	4.10	4.30
6	4.4-4.6	4.10	4.30
7	4.4-4.5	4.10	4.30
8	4.3-4.4	4.20	4.40
9	4.2-4.4	4.15	4.40

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12	4.3-4.5	4.30	4.40
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6. BOND MARKET: ON JULY 12 THE FEDERAL GOVERNMENT OFFERED THE MUCH DISCUSSED FEDERAL DEBT ISSUE ON THE FOLLOWING TERMS:COUPON 8 PERCENT, ISSUE PRICE 99.50 PERCENT, MATURITY 5 YEARS, YIELD TO MATURITY 8.13 PERCENT. THE LOAN AMOUNT IS DM 800 MILLION INCLUDING DM 100 MILLION HELD BY THE BUNDESBANK FOR PRICE SUPPORT PURPOSES. THIS LOAN IS NOT ONLY ONE OF THE LARGEST EVER OFFERED ON THE GERMAN BOND MARKET, IT IS ALSO THE FIRST

DOMESTIC LOAN OFFERED SINCE APRIL 7, 1976, - A DM 400 MILLION ISSUE OF THE STATE OF BAVARIA CARRYING A COUPON OF 7 1/2 PERCENT, A MATURITY OF 8 YEARS AND A YIELD TO MATURITY OF 7.59 PERCENT. ACCORDING TO PRESS REPORTS THE LOAN WAS WELL RECEIVED AND APPEARS TO HAVE BEEN THE MAJOR FACTOR CONTRIBUTING TO THE RECENT SLOW DOWN IN PRICE DECLINES FOR DOMESTIC BONDS. ACCORDING TO REPORTS OF THE PRESS, PUBLIC AUTHORITIES, INCLUDING THE FEDERAL GOVERNMENT, ARE CURRENTLY OFFERING SCHULDSCHEINDARLEHEN CARRYING THE FOLLOWING YIELDS TO MATURITY: THREE-YEAR MATURITY: 8 PERCENT; FOUR-YEAR MATURITY: 8.33 PERCENT; FIVE-YEAR MATURITY: 8.5 PERCENT; TEN-YEAR MATURITY: 8.90 PERCENT.

7. FOREIGN DM BONDS: THE CITY OF MONTREAL (SEE BONN 1059) IS CURRENTLY OFFERING A DM 100 MILLION ISSUE (COUPON 8 1/2 PERCENT, ISSUE PRICE 99.50, AVERAGE MATURITY 7 3/4 YEARS, YIELD TO MATURITY: 8.59 PERCENT). THE JAPAN SYNTHETIC RUBBER COMPANY AND A GERMAN BANK HAVE SIGNED A CONTRACT ON A DM 40 MILLION PRIVATE PLACEMENT OF BONDS. THE BONDS ARE GUARANTEED BY THE IN-

DUSTRIAL BANK OF JAPAN. THE COUPON IS 8 1/4 PERCENT, THE

ISSUE PRICE 99.50 AND THE MATURITY 5 YEARS.

CASH

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Message Attributes

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TAGS: EFIN, GE
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